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# THE FINANCIAL EFFORT OF FRANCE DURING THE WAR

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The financial effort of France during the war is, indeed, a mighty one. In order to properly understand it, it will be sufficient to observe the constant increase of the credits approved by Parliament since August 4, 1914.

The expenses authorized have reached:

1. For the last 5 months of 1914.....	\$1,260,000,000
2. For 1915.....	4,400,000,000
3. For 1916.....	6,200,000,000
4. For 1917 (estimated approximately).....	8,080,000,000
Total.....	<hr/> \$19,940,000,000

This is without counting the advances made by France to some of her allies aggregating over \$1,100,000,000.

France has, until now, met these enormous charges almost exclusively from her own resources, for until the entrance of the United States into the war, she had borrowed in foreign countries only about \$1,100,000,000 of which \$400,000,000 was in the United States, this last amount being approximately compensated by the loans granted by France to her allies.

These figures have increased since America's entrance into the war, especially owing to the financial assistance which they have so liberally extended to us. We fully appreciate it. In a recent speech the French Minister of Finance insisted on the invaluable military and financial support which the United States had brought to our soldiers. And I know he was speaking on behalf of the whole French nation when he addressed to your illustrious President and to the whole American people, the tribute of our admiration.

The patriotism of the people and their well-known thrift has made it possible for France to place two great loans which have yielded 22,000,000,000 francs, and to find in a regular and con-

tinuous manner the funds necessary for the operations of its Treasury, by a daily issuance of bonds of the national defense. These bonds can be bought in every office in France authorized to receive government funds, particularly post-offices where they are sold over the counter. The bonds are sold in denominations as small as 100 francs (\$20.00) in maturities of one year, six months, and three months. They are widely distributed, every one buying some thus making use of all available funds. It is estimated that the issuance of these bonds has given the French Treasury a constant source of revenue which has not been less than an average of 1,000,000,000 francs per month, and continues to be obtained without any shocks to the financial market and without having at any time brought about a crisis or a tightening of the money situation.

This monetary situation rests on the strength of the credit of the Bank of France. Organized in the beginning of the nineteenth century, this powerful central institution has, from its origin, maintained at all times the stability of our fiduciary circulations and of our credit. At the beginning of the war, the general mobilization had brought with it, for a time, complete suspension of the economic life of the country. The moratorium of commercial paper was declared. At that time the Bank of France found itself charged with 4,476,000,000 francs (\$850,000,000) of paper thus suspended. At the end of 1916 that amount was reduced to 1,340,000,000 francs (\$250,000,000), the commercial and financial activity having been practically resumed on a normal basis and this enormous debt liquidated.

We find also in the study of the monetary circulation in France a strong proof of the patriotism of the French people. At the beginning of the war an appeal was made to the population asking them to deposit with the Bank of France, to aid the national defense, the gold in their possession; in less than one year the French people brought 1,300,000,000 francs of gold and since then this flow of gold has not ceased to increase. It exceeds at present 2,000,000,000 of francs, and after three years of war, although the bank has had to export large quantities of gold for the purpose of covering purchases made in foreign countries, its gold reserve is more than 5,300,000,000 francs (\$1,020,000,000), showing an increase over normal times of peace.

But the floating of big loans, the issuance of treasury bills, and a certain increase in the fiduciary circulation are but temporary means of meeting exceptional conditions. It is necessary ultimately to resort to taxation as the final means of obtaining the revenue required to cover the increased expenditures. France has made large appeals to taxation. However, conditions created by the state of war, the mobilization of the larger part of its male population and the invasion of the national territory have forced the government to use fiscal sources of revenue with a certain amount of care.

It must not be forgotten, in order to fully appreciate the financial effort of France, that she has called under the colors approximately 7,000,000 men representing the best part of its active and productive population, and that one month after the declaration of war the Germans were at the door of Paris. The victory of the Marne repelled the invader and made it possible to reconquer a part of the ground temporarily lost. But, even now several of the departments of the north, the richest, most populated and the strongest industrially are in the hands of the Germans, and in the reconquered zone, due to the wholesale destruction committed by the enemy and due also to military necessity, a large part of the land has been found unfit for agriculture or industry and it has been necessary to remove a part of the population. It is estimated, without any exaggeration, that the number of citizens whose activity is lost for the time being for France for all these reasons is at least 4,000,000.

Notwithstanding so many unfavorable circumstances and thanks to the energy of the measures adopted by the government and the spirit of sacrifice shown by the entire country, the amount of fiscal revenue of the state, which had very naturally diminished during the first months of war, has been maintained in 1915 at the sum of about \$745,000,000; in 1916 it already reached the sum of \$900,000,000 and it is estimated that it will not be under \$1,045,000,000 for 1917.<sup>1</sup>

<sup>1</sup> Taxes and revenue other than direct taxes to June 30,		
1917—\$450,000,000, or for the year, about . . . . .		\$900,500,000
New direct taxes . . . . .		96,500,000
War profit taxes . . . . .		48,500,000
<b>Total . . . . .</b>		<b>\$1,045,500,000</b>

So today, while the energy of the country is bent towards national defense, and a part of the land—the principal source of wealth to our country—is not cultivated for lack of labor, the taxes collected in France represent (after deduction made of the men mobilized and the population of the invaded regions) a charge of about \$36 per inhabitant. In 1916 the impost and revenues of the federal government of the United States represented a charge of only about \$9 per inhabitant.

In order to maintain in time of war at such a high figure the amount levied by taxation, the government did not hesitate to increase certain taxes and to create new ones which have been accepted by the public without complaint.

#### WAR TAXES IN FRANCE

1. The general tax on incomes, which had been under discussion in Parliament for years and always adjourned, has been put into effect for the first time during the year 1916, and the rate has been increased rapidly to 10 per cent with the exception of certain reductions at the base; the country has accepted without protest this measure, the necessity of which has been made plain by the war.

Other new taxes created are:

2. The tax on war profits has been fixed at 50 per cent of the excess of profits realized since the war; the rate of taxation has been increased since September 30, 1916 to 60 per cent of the taxable profits over 500,000 francs (\$96,000). It is proposed for the present to increase the taxes on this last class of profits to 80 per cent.

3. Exceptional war impost for every man not mobilized including a fixed tax of twelve francs and a surtax of 25 per cent added to the income tax.

4. International revenue taxes have been adopted in addition to the custom duty on certain objects which were previously subject only to import taxes, for example on coffee about \$7.50 per 100 kilos, cocoa about \$4.50, chocolate about \$4.50, tea about \$7.50, colonial and exotic products, pepper, cinnamon, vanilla, mineral waters, special drugs, etc. The theaters or moving pictures have been subjected to special taxes representing as much as ten cents a seat and as much as 25 per cent of entrance charges.

5. An entire class of contributions has been doubled, taxes on mines, carriages, horses, automobiles, billiards, clubs and hunts.

Articles of public consumption have not been spared and even those the production of which interests particularly a large part of the agricultural classes of France, as wine and cider, have been subjected to heavy surtaxes. For instance taxes on wine have been increased to fifty-five cents, on cider thirty-seven cents per hectolitre (about twenty-two gallons). The taxes on sugar have been raised from \$6 to \$7.50, on tobacco from \$2 to \$3 per kilo. Taxes on alcohol have been raised from \$40 to \$75 per hectolitre.

6. The postal rate for the interior of France has been raised from two to three cents. The postal, telegraph and telephone tariffs have been materially increased.

7. The special tax on the revenue of securities has been increased from 4 to 5 per cent and on foreign government bonds and various foreign securities from 5 to 6 per cent.

Notwithstanding all these increased charges, the government feels that the country is ready to accept further sacrifices and in the budget for 1918 the Minister of Finance contemplated the adoption of new taxes, particularly on transportation, inheritances and commercial transactions which will probably represent an additional revenue of \$230,000,000.

It is necessary to note before concluding that the fiscal system of France is very complex, and that it is very difficult at first sight to find what percentage of their revenue the French people pay to the state. The rate is certainly very high. For instance, the holders of bonds pay a large special tax (stamp, transfer, 5 per cent impost) which amounts, for the securities most widely held by the public (railroad bonds, real estate bonds, etc.), to about 15 per cent of the income, and if you add to this amount the new general income tax, you reach a total of 25 per cent. To this amount it is necessary to add indirect taxes, customs and state monopoly which enter for 78 per cent of the total of government receipts. Lastly, local taxes (department and counties) are also very heavy and in certain regions exceed the amount of direct taxes collected by the state.

It is not to be wondered that our population, many of whom have been so cruelly affected by the war, have been able to withstand under present circumstances such heavy fiscal charges, for it must not be forgotten that the wealth saved and accumulated for

so many years by the agricultural classes and the tireless spirit of thrift of the people are strong guarantees of the financial resistance of France. Also, the industrial development which, even in the midst of the war, is covering with factories regions, until now, bare of industry, gives us every confidence in the economic development of our country and in its ability to increase its financial contribution, which will have to be done in the near future.

For the task is not yet completed. The enormous war machine that has been set into motion for the most just and righteous cause, for the defense of what is dearer to us than our riches and our lives—our honor and our freedom—this machine must not stop, it will not stop until our aims are obtained, until victory and peace are ours. It will need more efforts and more sacrifices, in men and in money. We are ready to make them.

Recently, the French Minister of Finance announced that a third war loan of ten billion francs would be issued soon, and that new taxation would be necessary to meet accrued charges. We do not know yet what the exact conditions of the loan will be, we do not know exactly what are the new taxes that we will have to pay. But we know that the loan will be oversubscribed, that the taxes will be willingly and gladly paid.

I am saying this because it must be known that the whole French nation is ready to do its duty, economically and financially, while its sons are fighting on the battlefields. I am not saying it to teach the American people an example or a lesson. America needs no examples, no lessons. You have already given the proof that your patriotism and your generosity know no limit and that no difficulty could deter you in the course that you have freely determined to pursue—the great success of the liberty loan has won the admiration of all. It is the result of the most powerful and efficient financial organization, built in a few weeks by the genius of American financiers, bankers, merchants, and backed by the patriotism of the whole American nation. And even this is but a beginning and the rest will follow. We all know that our countries will continue, on the financial as well as on the military field, to fight shoulder by shoulder and to work hand in hand to obtain and to preserve for the whole world justice and liberty.